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Cycles of Prosperity and Depression in the United States, Great Britain, and Germany: A Study of Monthly Data, 1902–1908, by Alvin Harvey Hansen. (University of Wisconsin Studies in the Social Sciences and History, No. 5.) Madison. 1921. 112 pp.

Professor Hansen has developed an interesting variant of the statistical attack upon business cycles. He confines himself to the study of a single cycle, collects all the statistical series covering it that are readily available in monthly form, eliminates the secular trends and seasonal oscillations, reduces the "cyclical fluctuations" to terms of their standard deviations, and, finally, computes coefficients of correlation among the series in this refined form. The influence of Professor Warren Persons upon the technique of the investigation is obvious.

The first result of the work is to divide the 23 American series dealt with into three groups according to the time relations among their cyclical fluctuations:

> The Investment Group includes series that anticipate general prosperity or depression and are related to the investment market. The Industrial Group includes those series which constitute the very essence and substance of prosperity and depression; it is the touchstone, the barometer of good and bad times. The Banking Group represents the monetary and credit facilities, the tools and instruments of the modern business mechanism. (Pp. 22–23.)

From each of these groups Professor Hansen selects from three to five series that are substantially synchronous in their oscillations, and makes them into what he calls Investment, Industrial, and Banking "Composites." Taking the highest coefficient of correlation obtained from computations made for varying lags as his base line, he finds that the Banking Composite (the revenues, deposits, and loans of New York clearing-house banks, plus call-loan rates) precedes by twelve months the Investment Composite (prices of 10 investment and 40 railroad stocks, shares sold in New York, and liabilities of business failures), while the latter precedes by eight months the Industrial Composite (commodity prices, pig iron output, railroad gross earnings, imports and immigration).

Next Professor Hansen makes Banking, Investment, and Industrial Composites for Great Britain and Germany. He finds that the American Banking Composite precedes the European series slightly; that there is very close correlation between the American and British but not between the American and German or the British and German Investment Composites, and that the Industrial Composites in the three countries move in close agreement with each other. He does not inquire whether the relations found among the cyclical fluctuations of his three composites in the United States hold among the three composites in Great Britain and among the three in Germany.

Turning, finally, to "The Theory of Prosperity Cycles," Professor Hansen asks whether the trouble that culminates in crises begins with a decline in the demand for consumers' goods, or whether "the initial diminution of demand is on the part of business men for producers' goods." To decide this issue he compares the fluctuations in the prices of consumers' and producers' goods in the United States from 1902 to 1908. For consumers' goods he averages the Bureau of Labor Statistics group index numbers of food, clothing, and house furnishings at wholesale, and for producers' goods he makes similar averages from the group index numbers of metals and implements and lumber and building materials. As a further test he compiles special German index numbers including 16 producers' and 14 consumers' commodities. The results are clear: "In both countries the prices of consumers' goods begin to decline about seven months after the decline in the prices of producers' goods." (P. 98.) Nor does he find any evidence "that the prices of producers' goods fall because of a diminution in the *rate of increase* in the prices of consumers' goods." (P. 102.) "In fact, so far as the United States is concerned, the rate of increase appears if anything to increase after the fall in the prices of producers' goods," and in Germany consumers' goods rose as rapidly in April–August, 1907, as in June–October, 1906. "In short," he concludes, "the theories emphasizing consumers' demands do not appear to harmonize with the statistical facts." (P. 103.)

The "fundamental cause of the business cycle," in Professor Hansen's view, lies in the economic effects produced by the extension of bank credit:

> The issuance of bank credit simply redistributes purchasing power, reducing the real purchasing power of income receivers generally, and increasing the purchasing power of entrepreneurs able to secure bank credit. It is this redistribution of purchasing power, accomplished through the instrumentality of banking institutions, that changes demand, upsets prices, affects the profit margin, and therefore production. . . . The magnetic force which draws out the extensible bank credit is the entrepreneur's anticipation of profit. . . . So long as bank credit continues to be capable of further expansion, prices continue to rise. This upward movement comes to a close only when bank credit can no longer be further extended for the reason that it has already reached the limit of banking safety. (Pp. 106–7.)

This analysis is confirmed according to Professor Hansen by his statistical results. For, as said above, the earliest movements in the business cycle are those of the Banking Composite.

Such is the gist of a little book which every one concerned with the subject will find suggestive and inconclusive. We may hope that Professor Hansen plans to rewrite his chapters on a more liberal scale and with a more critical treatment of his data. It is dangerous to base broad conclusions on the study of a single cycle. For example, a comparison of the price fluctuations of consumers' and producers' goods in 1919–20 might yield results very different from those which Professor Hansen (and the present reviewer) have drawn from 1906–07. Further, in dealing with this topic the investigator should scrutinize his material narrowly to see whether his list of consumers' goods does not contain a preponderance of farm products, and his list of producers' goods a preponderance of mineral and forest products. If such is the case, the results may not justify the construction Professor Hansen puts on them. Once again, if Professor Hansen knew the erratic way in which the import and export statistics of the United States have been compiled in the past he would not have wasted his time in computing coefficients of correlation based on the monthly returns. Finally, Professor Hansen's three "Composites" represent a geographical difference as well as the difference between banking, investment, and industry. Every series in the Banking Composite reflects conditions in the great clearing-house banks of New York City, and every series in the Investment Composite, except "liabilities of business failures," represents conditions on the New York Stock Exchange.

His Industrial Composite, on the other hand, represents conditions in the country at large. Hence the conclusions which his figures justify are not conclusions about the precedence of banking over investment and investment over industry, but are at best conclusions about the precedence of banking in the financial center over investment in that center, and the precedence of investment in the financial center over business operations at all ports of entry and throughout the interior.

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General Accident Statistics for Wisconsin, Industrial Commission of Wisconsin. Madison. 1921. 124 pp.

Wisconsin was one of the earliest states to adopt Workmen's Compensation, its act dating from 1911. The Industrial Commission of Wisconsin has always been distinguished by ability, and it is one of the few administrative boards in the United States which has consistently maintained a competent statistical department. Wisconsin, accordingly, holds a place of well-deserved leadership in the output of accident statistics.

The present document is the first comprehensive tabulation of work injuries issued by the Industrial Commission since 1915. It covers all compensable injuries adjudicated in the period 1915–20, but the more detailed tables are limited to cases settled in 1920. The publication is a special number of the *Wisconsin Safety Review,* and gives particular attention to *cause* in correlation with *severity* of injury. There are tables of cause and severity for all industries, 1915–20, for all industries, 1920, and for metal working, paper making, logging and lumbering, mining and quarrying, and building industries, 1920. The classifications and scheme of tabulation in these tables are those recommended by the statistical committee of the International Association of Industrial Accident Boards and Commissions, and the work is admirably done. There are also tables of compensation cost by severity of injury, part of body and duration of disability, and a frequency distribution of the weekly earnings of injured workmen. Especially useful are the detailed exhibits of permanent partial disabilities not amounting to loss or loss of use of members (Table XI), and of the healing period, or duration of temporary total disability, in connection with permanent partial disabilities (Tables XIII and XIV).

Of special interest and value are the estimates of relative accident frequency and of total accident severity. Relative frequency was plotted from the reported number of compensable injuries and an index number of employees obtained from reports to the employment division of the Industrial Commission. The curve shows a sharp rise of accident frequency in 1916, another in 1918, and a third in 1920, with a slight dip in 1917, and a marked dip in 1919. It is notable that the low point of 1919 was 150 as compared with 115 in 1915. Total severity of industrial injuries is expressed in days lost by the use of standard weights for deaths and permanent disabilities recommended by the International Association of Industrial Accident Boards and Commissions.